

CMBI Credit Commentary

Fixed Income Daily Market Update 固定收益部市场日报

The Asset Asian G3 Bond Benchmark Review 2023

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of "[The Asset Asian G3 Bond Benchmark Review 2024](#)". Thank you for your support!

- *Asian IG leasing/bank T2 were under better selling this morning. GRWALL PERP was well bid. Time China sounded out more details on its debt restructuring. See comments below.*
- *H&H: Another early repayment of USD term loan. BTSDF'26 was unchanged this morning. See comments below.*
- *ROADKG: Paid USD bonds amortization of USD178mn as scheduled. See comments below.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was skewed to better selling amid mixed flows. The new CCAMCL 27/30 were 2-3bps wider. ORIEAS '29 and widened 1bp. HRINTH 25-30s/GRWALL 28-30s were 3-5bps tighter (unchanged to 0.1pt higher). BCLMHK Float 27 tightened 1bp amid active two-way flows. In Chinese SOEs/TMTs, HAOHUA 28-30s were 2-3bps wider. The long-end of CNOOCs/COSLs/SHPORTs/SINOPEs were under better selling and closed unchanged to 8bps wider (unchanged to 0.5pt lower). TENCNT/BABA 30-31s widened 2-3bps as well. In regional financials, DAHSIN/BNKEA /OCBCSP/MQGAU T2s were 1-2bps wider. In EU AT1s, HSBC/UBS/SOCGEN Perps were 0.1-0.3pt lower. In KR, WOORIB priced a USD550mn NC5 Perp at par to yield 6.375% and the AT1 closed 0.3pt higher above par. In JP, MITHCC priced a USD500mn 5.25-yr bond at CT5+110. FUKOKU Perp/SUMILF Perp/NIPLIF '53 were up 0.1-0.3pt. In HK, HKINTL priced a USD1bn 3-yr green bond at CT3+12. BTSDF '26 was 0.1pt higher. H&H disclosed it has prepaid another USD168mn of existing USD term loan. In Chinese properties, ROADKG 28-30s rebounded 3.1-4.2pts after lowering 2.6-7.9pts on Wed. ROADKG Perps rose 1.2-1.8pts and closed 1.6-2.3pts higher WTD. FUTLAN/FTLNHD 24-26s were 0.5-1.1pts higher. SHUION 24-26s were 0.4-0.6pt higher. VNKRL 27/29, on the other hand, were 0.5-0.7pt lower. Outside properties, EHICAR 26/27 dropped 1.2-1.8pts and closed 3.5-3.9pts lower WTD. In Macau gaming, STCITY/SANLTD/WYNMAC 27-30s were 0.3-0.7pt lower. In Indonesia, MDLNIJ 25/27 lowered another 2.2-3.2pts and closed 2.4-3.5pts lower WTD. In India, VEDLN 26-28s were up 0.3-0.5pt.

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

In LGFVs/SOE perps/high beta spaces, the flows were light. Among the low-yielding LGFVs, SZEXPR '26/NJYZSO '27 were up 0.1pt. SECGRP 24/25 were unchanged to 0.1pt higher, following S&P revised its outlook to stable from negative. Among the high yielding LGFVs, BCDHGR '26 was 0.8pt higher. GXCMIN/YNPOWE 25s were up 0.2pt. In SOE perps, CHPWCN 4.25 Perp/CHCOMU 3.425 Perp/COFCHK 3.1 Perp were up 0.1-0.3pt. In the high beta names, CWAHK '26 was 0.5pt higher. ZHONAN '25/GRPCIN '26 were up 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 6.7 03/30/28	57.0	4.2	MDLNIJ 5 06/30/25	44.0	-3.2
ROADKG 5.9 09/05/28	46.8	3.8	MDLNIJ 5 04/30/27	33.5	-2.2
ROADKG 5 1/8 01/26/30	38.4	3.6	EHICAR 12 09/26/27	87.1	-1.8
ROADKG 5.2 07/12/29	39.9	3.4	EHICAR 7 09/21/26	81.5	-1.2
ROADKG 6 03/04/29	42.0	3.1	BABA 4.4 12/06/57	80.9	-1.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.78%), Dow (-1.29%) and Nasdaq (-0.70%) retreated on Thursday. The latest US initial jobless claim was +243k, higher than the expectation of +229k. UST yields rallied higher yesterday, 2/5/10/30 yield reached 4.46%/4.11%/4.20%/4.41%.

❖ Desk analyst comments 分析员市场观点

➤ BTSDf: Another early repayment of USD term loan

Table 1: H&H International bond profile

Bond	Ask px	YTM (ask, %)	Amt o/s (USDmn)	Bond rating (M/S/F)
BTSDf 13.5 06/26/26	107.13	9.38	300	Ba3/BB-

Source: Bloomberg.

At 107.1, BTSDf 13.5 06/26/26, H&H International (BTSDf)'s only o/s USD bond, is trading at YTM of 9.4%. We are neutral on BTSDf 13.5 06/26/26 on valuation. The increase in finance cost coupled with decline in infant milk formula sales would weigh on its profitability prospect. However, we take comfort with its improving access to different funding channels and lengthened debt maturity profile after the exchange and concurrent new issue in Jun'23.

H&H International (BTSDf) provided operational and financial updates for 1H24. BTSDf expects to report yoy decrease in adjusted EBITDA and net profits, while the adjusted EBITDA margin to maintain at mid-to-high teens level. The decline in profitability is due to decline in baby nutrition and care segment sales, one-off product portfolio restructuring costs in North American market, and increase in finance costs.

BTSDf has been active in managing its debt maturity profile via tender offer and market repurchases of its USD bonds, and early repayment of term loans. Recalled that BTSDf redeemed BTSDf 5.625 10/24/24 in full of USD53.4mn in Mar'24, early repaid USD term loan of USD235mn on 29 Apr'24 and USD168mn on 16 Jul'24, which scheduled to be due Jun'25. The two USD term loan repayments reduced the outstanding balance to USD581mn. During 1H24, BTSDf issued 3-year 7.5% RMB500mn (cUSD69mn) bonds and re-tapped BTSDf 13.5 06/26/26 for USD120mn. Also, it has drawn down RMB term loan facility of cUSD150mn and obtained commitment refinancing facility of USD560mn in Jul'24. As of 30 Jun'24, it had RMB2.4bn (cUSD330mn) cash on hand.

Table 2: Management prelim assessment on 1H24 financials

	1H24 guidance	1H24 guidance (HKDmn)	1H23
Adjusted EBITDA	10-20% decline	1,047-1,178	HKD1,309mn
Adjusted EBITDA margin	Mid-to-high teens	-	18.8%
Reported net profit	45-55% decline	274-334	HKD608mn
Adjusted net profit	30-40% decline	308-359	HKD513.4mn

Source: Company filling, CMBI Research.

➤ **ROADKG: Paid USD bonds amortization of USD178mn as scheduled**

Security Name	o/s amt. (USD mn)	Paid amt. (USD mn)	To be called in Aug'24	Jul'24 (Paid)	Mar'27	Mar'28	Sep'28	Mar'29	Jul'29	Jan'30
ROADKG 6.7 03/30/28	224.9	65.3	18	22.5%	12.5%	65%	-	-	-	-
ROADKG 5.9 09/05/28	164.8	18.3	3	10%	10%	-	80%	-	-	-
ROADKG 6 03/04/29	158.6	17.6	3	10%	10%	-	10%	70%	-	-
ROADKG 5.2 07/12/29	437.7	38.1	3	8%	8%	-	5%	-	82%	-
ROADKG 5.125 01/26/30	444.6	38.7	3	8%	8%	-	5%	-	-	82%
Total	1,430.7	178.0	30							

Source: Company filling.

Road King repaid USD178mn amortization of five extended USD bonds as scheduled. In its [Jun'24 tender offer and consent solicitation](#), Road King proposed to extend maturity of the five USD bonds which were originally due 2024-2026 for 3.5 years and schedule amortizations for the bonds. In early Jul'24, Road King acquired sufficient support for the consent solicitation. After the repayment of first amortization, Road King will redeem another USD30mn for the five bonds on 15 Aug'24. Compared with other Chinese developers' liability management exercise, we consider Road King's plan is more friendly in view of the high proportion of early repayment. ROADKGs rallied 4-12pts since Jun'24 when the tender offer and consent solicitation were proposed.

➤ **TPHL: Haircut up to 70% in principal amount in offshore restructuring**

Times China proposed three options to offshore creditors of USD2.9bn in principal outstanding with haircut in principal in proposed restructuring. It plans to place the 6 USD bonds totaled USD2.65bn in principal and USD/HKD syndicated loan totaled cUSD250mn in one voting class. The proposed restructuring will be implemented by way of a scheme of arrangement. Consent fee may be provided to the creditors supporting the RSA.

According to the news report, the three options are: (1) 70% haircut on principal, and 30% via a new 3.5-year bonds with upfront cash payment; (2) 55% of the debt to be swapped into MCBs, and 45% to be swapped into a new 7-year bonds, implying 50-60% haircut under the conversion price of HKD6 per share; (3) 100% of the debt to be swapped into a new 8-year bonds without haircut, and Times China will have the option to extend the maturity for a maximum of two years. These are largely in line with the high level proposed restructuring terms disclosed by Time China on 28 Jun'24.

Meanwhile, AHG agreed to have the Chairman to retain 30.1% stake in the company post restructuring, who currently owned 59.23% stake. Times China aims to launch the RSA before 31 Jul'24, that will be the date of the adjourned High Court hearing of winding-up petition against the company. On 28 Jun'24, Times China said it has reached an agreement in principle on high level with AHG holding more than 25%. Separately, the contract sales of Times China continued to decline in 6M24 to RMB4.3bn, compared with RMB9.4bn in 1H23, representing 55% decrease yoy.

➤ **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ **Offshore Asia New Issues (Pipeline)**

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- **[BTSDF]** H&H International prepaid USD168mn of existing USD term loan on 16 Jul'24
- **[FUTLAN/FTLNHD]** Media reported that Seazen has prepared enough cash for repayment of USD250mn FUTLAN 6'24
- **[LOGPH]** Media reported that Logan is likely to revise CSA amid Corniche cash flow shortfall
- **[SECGRP]** S&P affirmed Shanghai Electric BBB ratings and revised the outlook to stable from negative
- **[VEDLN]** Media reported that Vedanta's INR80bn QIP got bids for INR230bn
- **[VNKRLE]** China Vanke secured RMB14.7bn 4-year loans from banks
- **[YUEXIU]** Yuexiu Property subsidiary secured HKD700mn short-term loan facility

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.